COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3817-02
Bill No.: Perfected HS for HB 1496
Subject: Economic Development; Taxation and Revenue.
Type: Original
Date: March 19, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this bill primarily makes changes to local tax increment financing, which does not affect DED. The only provision amended that would affect DED is the addition of blighted areas in distressed communities as areas eligible for state (supplemental) tax increment financing (99.845). The changes should have no fiscal impact on DED. Any State TIF projects are separately subject to application and approval by DED and the Office of Administration and subject to appropriation.

DED assumes the amendments to the proposal would not fiscally impact their agency.

Officials from the **Office of the State Courts Administrator** and the **Department of Revenue** each assume this proposal would not fiscally impact their respective agencies.

Officials from the **City of St. Louis** and the **counties of St. Louis**, **Jefferson**, **Warren**, **St. Charles**, **Franklin**, **Lincoln**, **St. Francois** and **Ste. Genevieve** did not respond to our request for fiscal impact.

Oversight assumes the local political subdivisions could absorb the costs of establishing the regional tax increment finance review authorities as well as developing the reports regarding the economic feasibility analysis of the projects. Oversight also assumes the municipalities could also absorb the cost of developing the annual reports to the Department of Economic Development.

Oversight has not shown the fiscal impact of sharing payments in lieu of taxes between municipalities and other taxing entities since it would result in a zero fiscal impact overall. However, the municipalities that must share the payments would be negatively impacted and the various other taxing entities would be positively fiscally impacted.

Oversight has also not reflected a fiscal impact to local political subdivisions for their entitlement to reimbursement from the special allocation fund of the municipality for direct costs of providing emergency services. This provision would net to an overall zero fiscal impact to local political subdivisions in the counties and city specified.

Oversight has also assumed no fiscal impact resulting from the various changes made to the criteria of tax increment financing.

ASSUMPTION (continued)

Changes to Section 99.845 would now include redevelopments in blighted areas in distressed communities (as defined in RSMo 135.530) to participate in the state TIF program. Under the program, up to 50 percent of the new state revenues generated in the redevelopment area may be available for appropriation by the general assembly to DED's supplemental tax increment financing fund (from the general revenue fund) for distribution to the treasurer or other designated financial officer of the municipality. **Oversight** assumes the fiscal note prepared for the enabling legislation (SB 1 in Special Session in 1997) reflected the potential loss of state funds of $0 to $15 million annually starting in FY 1998. According to the DED, the anticipated State TIF funding for projects is roughly $6 million in FY 2003 and 2004 and roughly $7 million in FY 2005. Therefore, while this proposal may result in an increased utilization of the State TIF program, Oversight assumes the cap on the program has not changed from the $15 million reflected in the fiscal note for SB 1 in SS 1997, and that the amount of state funds available for allocation is subject to appropriation by the general assembly, therefore, Oversight assumes no additional fiscal impact from the changes in this section of the proposal.

FISCAL IMPACT - State Government	FY 2003	FY 2004	FY 2005
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2003	FY 2004	FY 2005
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses if they are in a potential tax increment financing district.

DESCRIPTION

This propoal defines the following new terms in the Real Property Tax Increment Allocation Redevelopment Act: "eligible employee," "high unemployment," "low-fiscal capacity," "moderate income," "new job," "public subsidy," "redevelopment project of regional significance," and "unfair competition."

The proposal states that no redevelopment plan that requires the relocation of any homeowners from the proposed development area shall be adopted by a municipality until the plan has been submitted to the qualified voters of the municipality and a majority approve the plan.

The proposal changes criteria used to evaluate redevelopment projects funded by tax increment financing (TIF) in the City of St. Louis and in St. Louis, Jefferson, Warren, St. Charles, Franklin, Lincoln, St. Francois and Ste. Genevieve counties. The proposal requires approved project areas to have high unemployment, low fiscal capacity, and moderate income; to be a redevelopment project of regional significance; to avoid unfair competition with existing business; and to meet other criteria showing economic decline.

The proposal also limits the maximum amount of public funding for approved TIF projects to 30% of the total project costs, unless the redevelopment is occurring in certain specified areas. The proposal does not allow TIF to be used to develop sites where 25% or more of the area is vacant and has not been previously developed, or qualifies as "open space" as defined in Section 67.900, RSMo, or is presently being used for agricultural or horticultural purposes, except in certain cases.

The proposal requires an economic feasibility analysis indicating the return on investment of the proposed development and a study verifying that the proposed redevelopment property has not previously been developed through private enterprise. It allows sharing of payments in lieu of taxes among affected political subdivisions.

The proposal also requires the enumerated counties and the City of St. Louis to create regional tax increment financing review authorities for the purpose of determining whether projects submitted by municipalities within the counties meet the criteria as provided in the bill and approving or rejecting the projects.

DESCRIPTION (continued)

The proposal also entitles said counties to reimbursement from the special allocation fund for direct costs of providing emergency services.

The proposal also states that no tax increment financing project shall be approved until all political subdivisions affected by the project, approve the project by a majority vote of the political subdivision’s governing body.

The proposal has an effective date of July 1, 2003.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of the State Courts Administrator

NOT RESPONDING: **St. Louis County, Jefferson County, Warren County, St. Charles County, Franklin County, Lincoln County, St. Francois County, St. Genevieve County.**

Mickey Wilson

Mickey Wilson, CPA
Acting Director
March 19, 2002